

**CITY OF SAN ANTONIO  
OFFICE OF THE CITY COUNCIL**

**INTERDEPARTMENTAL MEMORANDUM**

**TO:** Mayor and City Council

**FROM:** Councilwoman Delicia Herrera, District 6

**COPIES:** Sheryl Sculley, *City Manager*; Park Pearson, *Interim City Auditor*; Chris Callanen, *Assistant to the City Council*; File

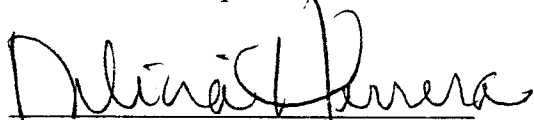
**SUBJECT:** Peer Review of the Office of the City Auditor

**DATE:** February 2, 2009

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A peer review of the Office of the City Auditor was conducted in December of 2008. The review included the period of August 1, 2005 to July 31, 2008. I am pleased to report that the OCA was found to be compliance with the Government Accountability Office's generally accepted government auditing standards (GAGAS).

The attached memorandum provides an overview of the peer review assessment which includes several positive observations and suggestions.



DELICIA HERRERA

COUNCILWOMAN – *Chair, Audit Subcommittee*  
DISTRICT 6



## Association of Local Government Auditors

December 11, 2008

Park E. Pearson, CPA, Interim City Auditor  
Office of the City Auditor  
P. O. Box 839966  
San Antonio, Texas 78723

Dear Mr. Pearson,

We have completed a peer review of the Office of the City Auditor for the period August 1, 2005 to July 31, 2008. In conducting our review, we followed the standards and guidelines contained in the *Peer Review Guide* published by the Association of Local Government Auditors (ALGA).

We reviewed the internal quality control system of your audit organization and conducted tests in order to determine if your internal quality control system operated to provide reasonable assurance of compliance with *Government Auditing Standards* issued by the Comptroller General of the United States. Due to variances in individual performance and judgment, compliance does not imply adherence to standards in every case, but does imply adherence in most situations.

Based on the results of our review, it is our opinion that the Office of the City Auditor's internal quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with *Government Auditing Standards* for audits and attestation engagements during the period August 1, 2005 to July 31, 2008.

We have prepared a separate letter offering suggestions to further strengthen your internal quality control system.

Russ Needler  
Office of the City Auditor  
Austin, TX

Suzanne Polys  
City Auditor's Office  
Kansas City, MO

Terra Van Andel  
Office of the City Auditor  
Long Beach, CA



## Association of Local Government Auditors

December 11, 2008

Park E. Pearson, CPA, Interim City Auditor  
Office of the City Auditor  
P. O. Box 839966  
San Antonio, Texas 78723

Dear Mr. Pearson,

We have completed a peer review of the Office of the City Auditor (OCA) for the period August 1, 2005 to July 31, 2008 and issued our report thereon dated December 11, 2008. We are issuing this companion letter to offer certain observations and suggestions stemming from our peer review.

We would like to mention some of the areas in which we believe your office excels:

- The Office of the City Auditor is completing substantive audits that are contributing to improvements in the efficiency and effectiveness of City programs
- The relationship with the Audit Committee members and the City Council has improved a great deal since Mr Pearson has been in office. Council Members praised his professionalism and willingness to communicate.
- OCA staff has excellent education and certification credentials which has earned the respect of the City Council and provides credibility with other City departments
- We noted a marked improvement in the quality control system over time from the beginning to the end of the review period

We offer the following observations and suggestions to enhance your organization's demonstrated adherence to *Government Auditing Standards*:

- During the course of our review we noted three reports issued between October 2006 and August 2007 which did not cite any applicable standards

We recommend that the Office of the City Auditor determine the appropriate standards for each report that is issued and cite in the report whether those standards were followed. If standards were not followed, the departure should be explained.

- Standards on independence require that an entity be free from personal, organizational and external impairments. We noted that the OCA policy on independence addresses personal and organizational, but did not separately address external impairments to independence

We recommend that the OCA Audit Administrative Guide policy on independence be updated to include policies and procedures for reporting and resolving external impairments of independence

- We noted that the OCA Audit Administrative Guide did not contain a policy related to making corrections to reports when it is subsequently determined that information is incorrect or incomplete.

We suggest that OCA include a policy in the Audit Administrative Guide which provides the procedures for documenting errors found subsequent to issuing a report and making a determination as to whether the report needs to be re-issued.

- The OCA policy for release of a report is that the Chairman of the Audit Committee presents the report to the Mayor and the Mayor must sign off on the release of the report before it can be made public. We noted that OCA does not have a policy on what procedures it will undertake in the event the Mayor does not sign off on release of the report in a timely manner.

We suggest that OCA include a policy that provides for what procedures will be undertaken to resolve the situation if the sign off for the release of the report does not take place in a timely manner

We extend our thanks to you, your staff and the other city officials we met for the hospitality and cooperation extended to us during our review.

Sincerely,



Russ Needler  
Office of the City Auditor  
Austin, TX



Suzanne Polys  
City Auditor's Office  
Kansas City, MO



Terra Van Andel  
Office of the City Auditor  
Long Beach, CA



# CITY OF SAN ANTONIO

P.O. BOX 839966  
SAN ANTONIO, TEXAS 78283-3966

December 17, 2008

LaVonne Griffin-Valade, County Auditor  
Multnomah County Auditor's Office  
501 SE Hawthorne, Room 601  
Portland, OR 97214

Dear Ms. LaVonne Griffin-Valade:

We are in receipt of the Peer Review Report for the Office of the City Auditor. The review team concluded that our internal control system was suitably designed and operating effectively to provide reasonable assurance of compliance with Government Auditing Standards for audits and attestation engagements during the period August 1, 2005 to July, 2008.

The Peer Review Team further recognized a number of areas in which they believe we excel. Of particular note is the improvement in our relationship with City Council, the improvement in the quality control system, completion of substantive audits that are contributing to improvements in City programs and the high quality of our staff.

The Team also offered the following observations and suggestions to enhance our demonstrated adherence to Government Auditing Standards:

- During the course of the review, the Peer Review Team noted three reports issued between October 2006 and August 2007, which did not cite any applicable standards. Based on that observation the Team recommended that the Office of the City Auditor (OCA) determine the appropriate standards for each report that is issued and cite in the report whether those standards were followed. If standards were not followed, the departure should be explained.

**Current policy of the Office of the City Auditor is to cite applicable standards followed in all audit reports. Our policy also requires explanations in the audit report of departures from professional standards. All audit reports issued since August 2007 have included the appropriate statement on auditing standards.**

- Include policies and procedures in the OCA Audit Administrative Guide for reporting and resolving external impairments to independence.

**We will incorporate requirements contained in sections 3.10 and 3.11 of the July 2007 revision to Government Auditing Standards ("GAGAS") on external impairments to organizational independence in our internal quality control system.**

- Include a policy in the Audit Administrative Guide for documenting errors found subsequent to issuing a report and making a determination as to whether the report needs to be reissued.

**We will incorporate requirements of section 8.07 of GAGAS on addressing errors found in issued audit reports in our internal quality control system.**

- Include a policy that provides for what procedures will be undertaken to resolve the situation if the Audit Committee or the Mayor does not sign off on the release of a report in a timely manner.

**We will modify our internal control system to identify a course of action to be taken in the event the Audit Committee or the Mayor does not approve release of a report in a timely manner.**

I would like to thank the Association of Local Government Auditors and the Peer Review Team for the balanced and comprehensive approach it took in evaluating and reporting on the operations and quality control system of the Office of the San Antonio City Auditor.

Sincerely,

*Park E. Pearson*  
Park E. Pearson, CPA  
Interim City Auditor

Cc: Mike Taylor  
Tanya Grayson

Enclosures